

Huron Academy
Sterling Heights, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Huron Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Huron Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

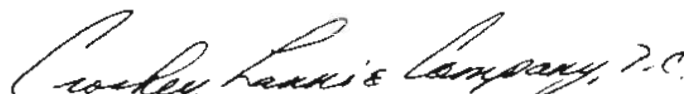
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Huron Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2008 on our consideration of Huron Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huron Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan

HURON ACADEMY **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Huron Academy's, "HRA", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

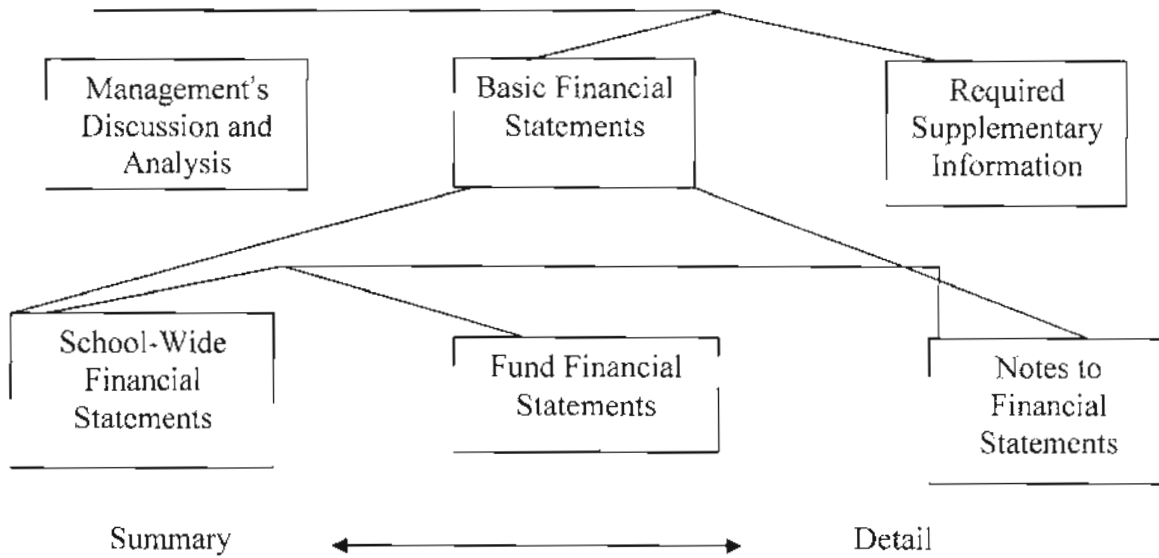
- ❖ General Fund revenues were at \$3,524,376 while expenses were \$3,485,517.
 - Instructional Expenditures were \$1,604,250.
- ❖ Blended enrollment used for state aid purposes was 414 compared to 468.72 last year.
- ❖ The school reduced its outstanding long-term debt, which consists of bond issuances by \$160,000.
- ❖ The school contributed \$38,859 to its general fund balance resulting in an ending balance of \$1,761,259.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of HRA'S Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial

Fund Financial Statements			
	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. A new asset depreciation schedule was implemented three years ago as required by GASB 34.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ A strong fund balance has been accumulated over the years.
- ❖ Spending was adjusted to align with lower enrollment number than expected.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget monthly and amended the budget twice during the school year.

Financial Outlook

Huron Academy's financial forecast is optimistic heading into the 2008/2009 school year.

- ❖ The State of Michigan anticipates a slight increase in per pupil allowance.
- ❖ A board has been actively involved in a strategic planning process that will further refine the schools goals and mission for facilities and curriculum.
- ❖ The school has increased its marketing efforts in designing a new logo and increased advertising.

Appendix A

Table A-3
HRA's Net Assets

	2007	2008
Current and other assets	\$ 2,396,137	\$ 2,513,172
Capital assets	2,392,316	2,294,688
Total assets	4,788,453	4,807,860
Long-term debt outstanding	2,495,000	2,433,166
Other liabilities	224,044	190,355
Total liabilities	2,719,044	2,623,521
Net assets:		
Restricted	875,680	949,951
Unrestricted	1,193,729	1,234,388
Total net assets	\$ 2,069,409	\$ 2,184,339

Table A-4
Changes in HRA's Net Assets

	2007	2008
Revenues:		
Program revenues:		
Charges for services	\$ 87,583	\$ 91,855
Federal and state operating grants	401,608	418,487
General revenues:		
State aid - unrestricted	3,498,645	3,078,139
Miscellaneous	23,427	14,720
Total revenues	4,011,263	3,603,201
Expenses:		
Instruction	1,409,495	1,604,250
Support services	1,835,797	1,589,794
Interest on long-term debt	177,646	164,825
Depreciation	121,857	129,402
Total expenses	3,544,795	3,488,271
Change in net assets	\$ 466,468	\$ 114,930

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2008, the school had invested \$3,039,727 in capital assets, including facilities, computers and software. This amount represents a net change of \$31,774 from last year. (More detailed information about capital assets can be found in Note 7 to the financial statements.)

Building	\$ 2,599,408
Equipment	<u>440,319</u>
Subtotal	3,039,727
Accumulated depreciation	<u>(745,039)</u>
Net book value of assets	<u><u>\$ 2,294,688</u></u>

Long-Term Debt

At year end the school had long term debt of \$2,335,000 consisting of bond issuances.

- The school continued to pay down its debt, retiring \$160,000 of the amounts due on the above mentioned bond issuances.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Change in local school districts kindergarten program that has increased competition with Huron Academy. The school will need to increase marketing efforts in this area.
- Continued strategic planning to address long term facility needs of the school.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Huron Academy, 11401 Metropolitan Parkway, Sterling Heights, MI 48312

HURON ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,417,771
Investments	490,263
Due from other governmental units	588,638
Prepaid expenses	16,500
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Total current assets	2,513,172

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$745,039	2,294,688
	<hr/>
Total assets	<u>\$ 4,807,860</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 20,355
Long-term debt - current portion	170,000
Other accrued expenses	268,166
	<hr/>
Total current liabilities	458,521

Long-Term Debt - Long-Term Portion	2,165,000
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Net Assets

Invested in capital assets net of related debt	(40,312)
Restricted for future projects	500,000
Restricted for debt service	490,263
Unrestricted	1,234,388
	<hr/>
Total net assets	2,184,339
	<hr/>
Total liabilities and net assets	<u>\$ 4,807,860</u>

See accompanying notes to financial statements

HURON ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 1,230,233	\$ -	\$ 5,000	\$ (1,225,233)
Special education	231,656	-	228,838	(2,818)
Compensatory education	142,361	-	139,521	(2,840)
Support services	97,032	-	-	(97,032)
General administration	88,993	-	-	(88,993)
Executive administration	186,110	-	-	(186,110)
Building administration	380,454	-	-	(380,454)
Lunch program	81,002	20,716	43,837	(16,449)
Business support services	198,028	-	-	(198,028)
Operations and maintenance	514,483	-	-	(514,483)
Custody and care of children	43,692	41,111	1,291	(1,290)
Unallocated depreciation	129,402	-	-	(129,402)
Unallocated interest	164,825	30,028	-	(134,797)
Total primary government	<u>\$ 3,488,271</u>	<u>\$ 91,855</u>	<u>\$ 418,487</u>	<u>(2,977,929)</u>
General Purpose Revenues:				
State school aid - unrestricted				3,078,139
Rental income				6,600
Fundraiser				8,000
Miscellaneous				120
Total general purpose revenues				<u>3,092,859</u>
Excess of revenues over expenses				114,930
Net assets - July 1, 2007				<u>2,069,409</u>
Net assets - June 30, 2008				<u>\$ 2,184,339</u>

See accompanying notes to financial statements



HURON ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 1,417,771	\$ -
Investments	-	490,263
Due from other governmental units	588,638	-
Prepaid expenses	16,500	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,022,909</u>	<u>\$ 490,263</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 20,355	\$ -
Other accrued expenses	241,295	-
	<u> </u>	<u> </u>
Total liabilities	261,650	-

Fund Balance

Designated for future projects	500,000	-
Designated for debt service	-	490,263
Unreserved:		
Undesignated	1,261,259	-
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,022,909</u>	<u>\$ 490,263</u>

See accompanying notes to financial statements



HURON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 2,251,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,039,727 and the accumulated depreciation is \$745,039.	2,294,688
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(26,871)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,335,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 2,184,339</u></u>

HURON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

	General	School Service	Debt Service
Revenues			
Local sources	\$ 76,587	\$ 20,716	\$ 14,272
State sources	3,237,181	1,770	-
Federal sources	151,215	42,067	-
Total governmental fund revenues	3,464,983	64,553	14,272
Expenditures			
Elementary school	1,230,233	-	-
Special education	231,656	-	-
Compensatory education	142,361	-	-
Support services	97,032	-	-
General administration	88,993	-	-
Executive administration	186,110	-	-
Building administration	380,454	-	-
Lunch program	-	81,002	-
Business support services	198,028	-	-
Operations and maintenance	514,483	-	-
Custody and care of children	43,692	-	-
Capital outlay	31,774	-	-
Debt principal and interest	-	-	326,625
Total governmental fund expenditures	3,144,816	81,002	326,625
Excess (deficiency) of revenues over expenditures	320,167	(16,449)	(312,353)
Other Financing Sources (Uses)			
Payment from Intermediate School District	59,393	-	-
Operating transfers in	-	16,449	324,252
Operating transfers out	(340,701)	-	-
Total other financing sources (uses)	(281,308)	16,449	324,252
Excess of revenues and other financing sources over expenditures and other uses	38,859	-	11,899
Fund balance - July 1, 2007	1,722,400	-	478,364
Fund balance - June 30, 2008	\$ 1,761,259	\$ -	\$ 490,263

See accompanying notes to financial statements

HURON ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	50,758
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	31,774	
Depreciation expense		<u>(129,402)</u>	(97,628)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	160,000	
Interest expense		<u>1,800</u>	<u>161,800</u>

Change in Net Assets of Governmental Activities	\$	<u>114,930</u>
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HURON ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

ASSETS

	<u>Agency</u>
Cash and cash equivalents	<u>\$ 9,088</u>
Total assets	<u><u>\$ 9,088</u></u>

LIABILITIES

Due to student groups	<u>\$ 9,088</u>
Total liabilities	<u><u>\$ 9,088</u></u>

See accompanying notes to financial statements



HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Huron Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Huron Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in June 1999, and began operation in July 1999.

In August 1999, the Academy entered into a five-year contract with Ferris State University's Board of Trustees to charter a public school academy. The contract was subsequently renewed for an additional five years in July, 2004. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Ferris State University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$91,360.

In July 2005, the Academy entered into a four-year agreement with CS Partners, "CSP". Under the terms of this agreement, CSP provides a variety of services including management curriculums, educational programs and teacher training. The Academy is obligated to pay CSP nine percent of its applicable revenues from federal, state, county and local governments. The total paid for these services amounted to approximately \$278,700 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has designated all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into governmental fund types as follows:

HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general and school service funds. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt budgets for the general fund and school services fund. The Academy originally adopted a general fund and school service fund budget. The general fund budget includes traditional debt service fund revenues and expenditures. For the financial statement presentation these amounts are shown as a separate debt service fund. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Compensatory education	\$ 135,509	\$ 142,361
Executive administration	185,792	186,110
Building administration	370,583	380,454
Capital outlay	42,000	43,692
School Service Fund		
Lunch program	74,870	81,002

HURON ACADEMY**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,426,859
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	490,263
Total deposits and investments			<u>\$ 1,917,122</u>

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - Agency Fund	\$ 9,088
Cash - Academy Wide	<u>1,417,771</u>
Subtotal	<u>1,426,859</u>
Investments:	
Investments - Debt Service	<u>490,263</u>
Total deposits and investments	<u>\$ 1,917,122</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAm by Standards & Poor's and AAAm by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,344,250 of the Academy's bank balance of \$1,444,250 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units at year end consists of the following:

At risk	\$	12,599
Special education		12,760
State aid		563,279
Total	\$	588,638

HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 5 - Prepaid Expenses

Amounts prepaid at year end consist of the following:

Facility insurance and rent	\$ 16,500
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NOTE 6 - Accrued Expenses

Amounts accrued at June 30, 2008 consist of the following:

	<u>Net Assets</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 224,351	\$ 224,351
Oversight fees	16,944	16,944
Interest	26,871	-
Total	<u>\$ 268,166</u>	<u>\$ 241,295</u>

NOTE 7 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>July 1, 2008</u>
Building and leasehold improvements	\$ 2,599,408	\$ -	\$ 2,599,408
Furniture and equipment	331,965	-	331,965
Computer equipment	76,580	31,774	108,354
Subtotal	3,007,953	31,774	3,039,727
Accumulated depreciation	615,637	129,402	745,039
Net book value of assets	<u>\$ 2,392,316</u>	<u>\$ (97,628)</u>	<u>\$ 2,294,688</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 8 - Long-Term Obligation Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements &</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Participation	\$ 2,495,000	\$ -	\$ 160,000	\$ 2,335,000	\$ 170,000

The Academy has issued Certificates of Participation bearing interest at an average rate of 6.88 % through the year ended June 30, 2017. The obligations require semi-annual interest payments due on November 1st and May 1st and an annual payment of principal due on November 1st beginning in 2004. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and funds held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in

	<u>Principal</u>	<u>Interest</u>
2009	\$ 170,000	\$ 155,488
2010	185,000	143,506
2011	195,000	130,681
2012	210,000	117,013
2013	220,000	102,388
2014 - 2017	1,355,000	228,024

The Academy has entered into two operating lease agreements with an unrelated third party for building and land. The Academy is responsible for all costs and expenses related to the property. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The rental payments for the building lease, which began in September 2004, are \$8,750 for months 1-11, and \$35,750 for the 12th month for the first 3 years, and \$11,000 a month for years 4 and 5. The land rent payments are \$5,000 per month for the first year, \$5,500 for years 2005 through 2010, \$6,050 for years 2010 through 2015, \$6,655 for years 2015 through 2020, and \$7,321 for years 2020-2026.

HURON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 9 - Operating Lease - Continued

The approximate amount of lease obligations coming due during the next five years and in total are as follows:

	<u>Building</u>	<u>Land</u>
2009	\$ 132,000	\$ 66,000
2010	22,000	72,600
2011	-	72,600
2012	-	72,600
2013	-	72,600
2014 - 2019	-	384,780
2020 - 2025	-	439,260
2026	-	87,852

Total rent expense included in the determination of net earnings for the year ended June 30, 2008 amounted to \$220,500.

NOTE 10 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by CSP which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy, under this plan, will contribute 4% of salaries regardless of the amount the employee contributes. The Academy will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions to the plan amounted to \$85,065 for the year ended June 30, 2008.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 16,449	\$ 324,252
Transfers Out	340,701	-	-

As stipulated by the Academy's Certificates of Participation as described in Note 9, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. This accounts for the major activity in the Academy's interfund transfer account.

HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Huron Academy

We have audited the accompanying financial statements of Huron Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the financial statements of Huron Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan

HURON ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 80,267	\$ 61,000	\$ 76,587
State sources	3,730,530	3,254,270	3,237,181
Federal sources	129,392	129,392	151,215
 Total governmental fund revenues	 3,940,189	 3,444,662	 3,464,983
Expenditures			
Elementary school	1,479,071	1,240,509	1,230,233
Middle school	87,666	-	-
Special education	235,433	232,211	231,656
Compensatory education	100,319	135,509	142,361
Support services	104,638	103,362	97,032
General administration	63,400	90,290	88,993
Executive administration	215,645	185,792	186,110
Building administration	440,616	370,583	380,454
Lunch program	-	-	-
Business support services	222,306	201,791	198,028
Operations and maintenance	532,515	538,572	514,483
Custody and care of children	62,752	42,000	43,692
Capital outlay	50,000	32,788	31,774
Debt principal and interest	-	-	-
 Total governmental fund expenditures	 3,594,361	 3,173,407	 3,144,816
 Excess (deficiency) of revenues over expenditures	 345,828	 271,255	 320,167
Other Financing Sources (Uses)			
Payment from Intermediate School District	45,000	60,000	59,393
Operating transfers in	-	-	-
Operating transfers out	(31,796)	(31,796)	(340,701)
 Total other financing sources (uses)	 13,204	 28,204	 (281,308)
 Excess of revenues and other financing sources over expenditures and other uses	 359,032	 299,459	 38,859
 Fund balance - July 1, 2007	 1,722,400	 1,722,400	 1,722,400
 Fund balance - June 30, 2008	 \$ 2,081,432	 \$ 2,021,859	 \$ 1,761,259

School Service			Debt Service		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ 24,371	\$ 20,716	\$ -	\$ 15,000	\$ 14,272
-	18,703	1,770	-	-	-
-	31,796	42,067	-	-	-
-	74,870	64,553	-	15,000	14,272
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	74,870	81,002	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	331,385	331,385	326,625
-	74,870	81,002	331,385	331,385	326,625
-	-	(16,449)	(331,385)	(316,385)	(312,353)
31,796	31,796	16,449	-	-	324,252
-	-	-	-	-	-
31,796	31,796	16,449	-	-	324,252
31,796	31,796	-	(331,385)	(316,385)	11,899
-	-	-	478,364	478,364	478,364
\$ 31,796	\$ 31,796	\$ -	\$ 146,979	\$ 161,979	\$ 490,263

HURON ACADEMY

SCHEDULE OF REVENUES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	School Service	Debt Service
Local Sources			
Custody and care of children	\$ 41,111	\$ -	\$ -
FSU grant	5,000	-	-
Food service	-	20,716	-
Fundraiser	8,000	-	-
Interest income	15,756	-	14,272
Rental income	6,600	-	-
Miscellaneous	120	-	-
	<hr/>	<hr/>	<hr/>
Total local sources	76,587	20,716	14,272
State Sources			
At risk	69,224	-	-
Child care	1,291	-	-
School lunch	-	1,770	-
State aid	3,078,139	-	-
Special education	88,527	-	-
	<hr/>	<hr/>	<hr/>
Total state sources	3,237,181	1,770	-
Federal Sources			
Federal commodities	-	1,212	-
National lunch program	-	40,855	-
Special education	80,918	-	-
Title I	61,114	-	-
Title II-A	8,512	-	-
Title II-D	572	-	-
Title V	99	-	-
	<hr/>	<hr/>	<hr/>
Total federal sources	151,215	42,067	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	<u>\$ 3,464,983</u>	<u>\$ 64,553</u>	<u>\$ 14,272</u>

HURON ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Elementary School			
Purchased services - salaries	\$ 900,970	\$ -	\$ -
Purchased services - benefits	168,547	-	-
Purchased services - payroll taxes	69,921	-	-
Teaching supplies and materials	17,526	-	-
Textbooks	73,119	-	-
Workshops and conferences	150	-	-
Total elementary school	1,230,233	-	-
 Special Education			
Purchased services - salaries	171,907	-	-
Purchased services - benefits	43,784	-	-
Purchased services - payroll taxes	13,603	-	-
Teaching supplies and materials	2,362	-	-
Total special education	231,656	-	-
 Compensatory Education			
Purchased services - salaries	104,388	-	-
Purchased services - benefits	28,605	-	-
Purchased services - payroll taxes	8,173	-	-
Workshops and conferences	1,195	-	-
Total compensatory education	142,361	-	-
 Support Services			
Purchased services - salaries	74,422	-	-
Purchased services - benefits	9,628	-	-
Purchased services - payroll taxes	1,212	-	-
Outside services	4,290	-	-
Teaching supplies and materials	238	-	-
Workshops & conferences	7,242	-	-
Total support services	97,032	-	-

HURON ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
General Administration			
Marketing and recruitment	78,814	-	-
Professional services	10,179	-	-
Total general administration	88,993	-	-
Executive Administration			
FSU oversight fees	94,754	-	-
Management fees	91,356	-	-
Total executive administration	186,110	-	-
Building Administration			
Purchased services - salaries	280,226	-	-
Purchased services - benefits	47,550	-	-
Purchased services - payroll taxes	22,356	-	-
Dues and memberships	7,510	-	-
Office supplies	20,692	-	-
Postage	1,805	-	-
Workshops and conferences	315	-	-
Total building administration	380,454	-	-
Lunch Program			
Purchased services - salaries	-	30,990	-
Purchased services - benefits	-	6,540	-
Purchased services - payroll taxes	-	2,661	-
Food	-	40,811	-
Total lunch program	-	81,002	-

HURON ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Business Support Services			
Bank fees	14,094	-	-
Management fees	183,934	-	-
Total business support services	198,028	-	-
Operations and Maintenance			
Purchased services - salaries	83,326	-	-
Purchased services - benefits	24,779	-	-
Purchased services - payroll taxes	6,834	-	-
Liability insurance	18,880	-	-
Repairs and maintenance	71,821	-	-
Rent	220,500	-	-
Utilities	88,343	-	-
Total operations and maintenance	514,483	-	-
Custody and Care of Children			
Purchases services - salaries	37,732	-	-
Purchased services - benefits	450	-	-
Purchased services - payroll taxes	3,864	-	-
Supplies	1,646	-	-
Total custody and care of children	43,692	-	-
Capital Outlay			
Elementary school	5,988	-	-
Capital projects	25,786	-	-
Total capital outlay	31,774	-	-
Debt Principal and Interest	-	-	326,625
Total governmental fund expenditures	<u>\$ 3,144,816</u>	<u>\$ 81,002</u>	<u>\$ 326,625</u>

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Huron Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Huron Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

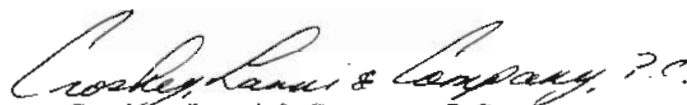
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Huron Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan



Croskey, Lanni & Company, PC

Certified Public Accountants and Business Advisors

345 Diversion Street, Suite 400

Rochester, MI 48307

Office 248.659.5300 Fax 248.659.5305

David M. Croskey, CPA

Thomas B. Lanni, CPA

Carolyn A. Jones, CPA

Clifton F. Powell Jr., CPA

October 29, 2008

Huron Academy
11401 Metro Parkway
Sterling Heights, MI 48312

To whom it may concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2008.

Very truly yours,
Croskey, Lanni & Company, P.C.

Patrick M. Sweeney, C.P.A.